[Translation]

New Credit Policy

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Will the Minister of FINANCE be pleased to state :

(a) whether the Reserve Bank of India has recently announced a new credit policy.

(b) if so the objectives thereof and the details of the changes make in the new policy in comparison to the previous policy; and

(c) the extent to which the control on financial sector is likely to be relaxed as a result thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : (a) to (c) The monetary and credit policy for the second half of 1996-97 was announced by the Reserve Bank of India (RBI) on October 19, 1996 The monetary and credit policy package aims, interalia, at further lowering of premptions by reducing reserve requirements, enhancing interest rate flexibility, ensuring credit support to important sectors such as agriculture, small scale industry and exports, freeing the banking system to provide foreign currency loans to its customers, freeing banks to set down their own ground rules for consortium lending arrangements and allowing banks to purchase share/debentures in secondary market.

The salient features of the policy were as follows:-

(i) Lowering of the Cash Reserve Ratio by 2 percentage points between October 1996 and January, 1997 in four equal phases of 0.5 percentage points each with effect from the fortnights beginning October 26, 1996, November 9, 1996, January 4, 1997 and January 18, 1997 respectively.

(ii) Lowering of the export credit refinance limits of banks from the fortnight beginning November 9, 1996.

(iii) Raising the target for export credit by 2 percentage points to 12 per cent of net bank credit to be achieved by the end of March, 1997.

(iv) Lowering the ceiling interest rate on term deposits of 30 days and upto one year by one percentage point to 'not exceeding 10.0 per cent per annum' effective October 21, 1996.

(v) Rationalisation of the interest rate prescription on post-shipment export credit effective from October 21,1996, whereby a larger part of export credit would be required to be provided at lower interest rate.

(vi) Advice to banks to announce the maximum spread over Prime Lending Rate (PLR) that they would charge borrowers in the category (with credit limits of over Rs. 2 lakh) to whom PLR stipulations apply. (PLR is the minimum rate applicable to large borrowers with credit limits over Rs. 2 lakhs).

(vii) Exemption from selective credit controls for commodities which were subject to the controls, except buffer stocks and unreleased stocks of sugar to sugar mills, with effect from October 21, 1996. The minimum margins on unreleased stocks of sugar was lowered by 5 per cent effective October 121, 1996. In the case of buffer stock of sugar, the prescription of a zero per cent margin would continue.

(viii) Permitting banks to provide foreign currency denominated loans to their customers out of their resources under the Foreign Currency Non-Resident (Banks) (FCNR) (B) deposit scheme.

(ix) Freeing banks to lay down their own ground rules for consortium lending arrangements.

(x) Extending the coverage of the loan system for delivery of credit and modifying the scheme to impart more flexibility.

(xi) Allowing banks to purchase shares and debentures in the secondary market within the existing ceiling of 5 percent of the incremental deposits in the previous year (for purchases) including from the primary market and through development through underwriting and investments in mutual funds.

Further, in order to encourage borrowers to switch over to Loan System of Credit Delivery, banks were advised in February 1997 that they could prescribe PLRs and epreads over PLRs separately for Loan Component and Cash Credit Component in the Credit Delivery System with approval of their respective Boards.

Financial crises in PSUs

4305. SHRI RAM TAHAL CHAUDHARY : Will the Minister of INDUSTRY be pleased to state :

(a) the number of Public Sector Undertakings facing grave financial crises;

(b) whether some units of Public Sector do not have working capital and if so, the details of such units; and